



Internal Audit Report

Criminal Justice Facilities

July 2001



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July 11, 2001

Janice K. Brewer, Chairman, Board of Supervisors
Fulton Brock, Supervisor, District I
Don Stapley, Supervisor District II
Andrew Kunasek, Supervisor District III
Mary Rose Wilcox, Supervisor, District V

We have completed our FY 2001 review of the Maricopa County Justice Facilities Development Project. The audit was performed in accordance with the annual audit plan that was approved by the Board of Supervisors.

This engagement was a limited-scope review with objectives to determine if:

1. The Criminal Justice Facilities Development Department (CJFDD) has developed controls to ensure that Jail Tax revenues are used only for intended purposes, and
2. CJFDD adequately reviews contractor billings for compliance with all applicable requirements before authorizing payment.

Accordingly, we performed limited test procedures. Highlights of the report include:

- CJFDD has established internal controls over Jail Tax revenues to ensure that the capital projects fund is used only for the purposes authorized by Proposition 400.
- We examined 23 contract payments (\$10.2 million total) and 34 change orders (\$11.9 million total) and found no exceptions to the requirements set by Proposition 400, the Maricopa County Procurement Code, and contract provisions.

Attached is our report, which we reviewed with the CJFDD Director and Chief Financial Officer. We appreciate the excellent cooperation provided by both management and staff. If you have any questions, or wish to discuss the information presented in this report, please contact George Miller at 506-1586.

Sincerely,

A handwritten signature in cursive script that reads "Ross L. Tate".

Ross L. Tate
County Auditor

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Executive Summary

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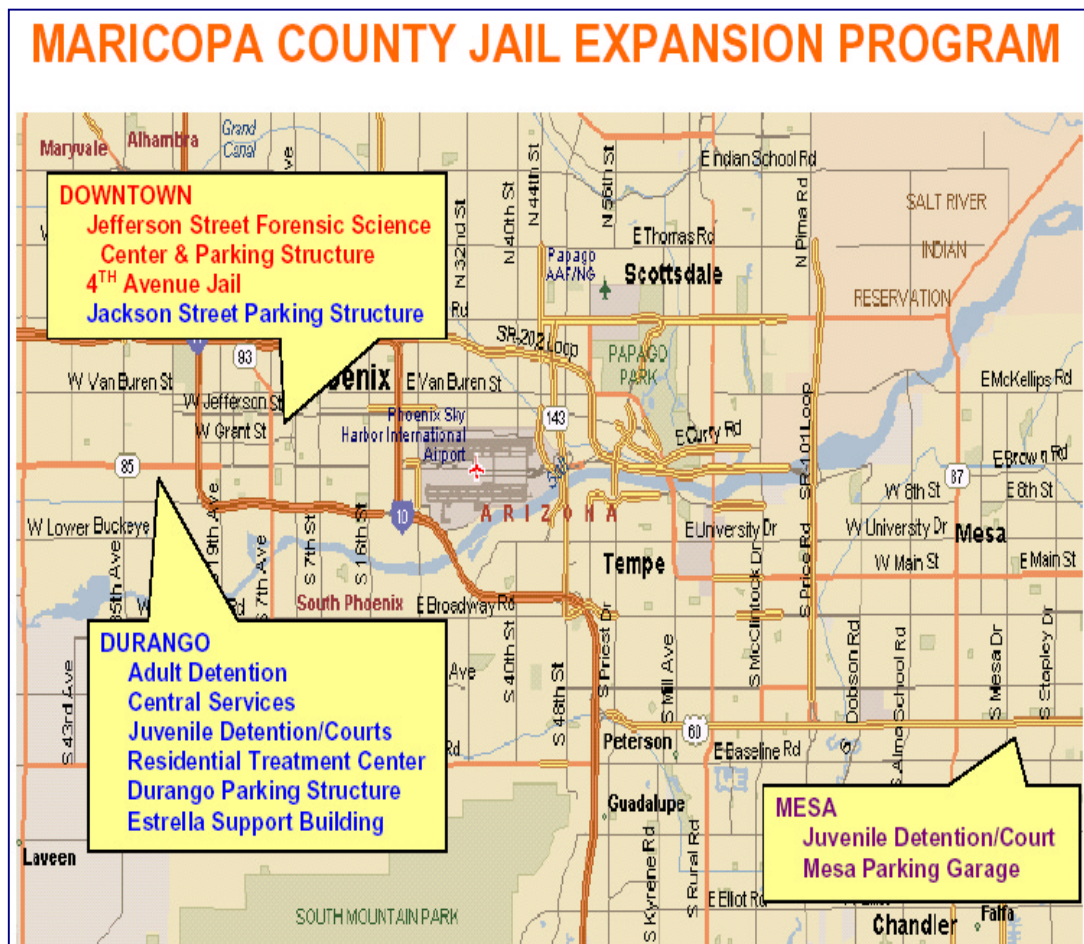
The Criminal Justice Facilities Development Department (CJFDD) has established internal controls to ensure that Jail Tax revenues, accumulated in a capital projects fund, are used only for the purposes authorized by Proposition 400. We examined 23 contract payments (\$10.2 million total) and 34 change orders (\$11.9 million total) and found no exceptions to the requirements set by Proposition 400, the Maricopa County Procurement Code, and contract provisions.

Introduction

Background

Maricopa County voters approved Propositions 400 and 401 in November 1998. These propositions authorize a \$0.002 excise tax to be used by the County to design, construct, and operate new jail facilities. The tax is authorized for nine years or until \$900 million is collected.

The Jail Tax, which took effect January 1, 1999, is designated for new adult and juvenile detention facilities and to fund programs aimed at reducing the overall jail population. The construction portion of the project is \$513 million. These improvements include a 1,360 bed downtown pre-trial jail, as well as, 1,808 adult detention beds, a central food factory, laundry, and a central plant at the County's Durango campus. Also included in the capital improvement budget are juvenile improvements at both Durango and Mesa with an additional 13 courtrooms, judicial suites and administrative offices, and 348 juvenile beds. The map below shows the new facility sites.



Use of Jail Tax Monies

Voters approved the temporary sales tax with the provision that funds be used solely for justice facilities and related costs. Proposition 400 details the nature of expenditures for which the jail tax can be used. Section 3 requires tax proceeds to be accumulated into a capital projects fund. The monies and property "... shall be used for the purpose of purchasing land, and purchasing and constructing buildings or improvements, for County Jails."

Proposition 401 authorizes the County to spend the sales tax revenue to maintain and operate the new jail facilities.

Scope and Methodology

The objectives of this limited scope audit were to determine if:

- Controls established by Criminal Justice Facilities Development Department (CJFDD) are adequate to ensure that Jail Tax revenues, accumulated in a capital projects fund, are used in accordance with Proposition 400 requirements
- CJFDD and its contracted project managers review construction billings for compliance with all applicable Maricopa County Procurement Code requirements and contract provisions before authorizing payments.

This audit was performed in accordance with Government Auditing Standards.

Department Reported Accomplishments

The following accomplishments were provided to the Internal Audit Department by CJFDD management for inclusion in this report.

- Minimal Staff and Management Costs - keeping CJFDD and Hunt Jacobs staff to a minimum has allowed the entire program to be managed at a cost of 6% of the program. This is a factor of three times less than most government (including Maricopa County) overhead costs of similar scope.
- Windowless Cells and Rear Chases - this has never been done in Maricopa County. It allowed the designers to reduce the downtown jail facilities from two blocks to one block. It also provides easier maintenance and operations.
- Metal panels in Downtown Jail - this allowed the reduction of an entire floor, keeping the downtown jail below the high rise level and saving millions of dollars in high rise building code requirements.
- Precast Cells at LBJ - this has never been done in Maricopa County. The cells are being precast and finished with plumbing and wiring in another state and transported complete to LBJ for installation.
- Video Visitation - this has never been done in Maricopa County and is relatively new in the nation. It provides increased security and limits the need for inmate movement.
- Building for Future Double Bunking - this has allowed the County to provide for future needs at minimal current cost. It has been calculated that this concept has saved hundreds of millions of dollars in construction of future facilities.
- Food Factory - the food factory is one-of-a-kind in the United States. It will not only provide over 30,000 meals per day, but will allow for the potential of zero cost meals. It has also reduced the cost of the other facilities by not having to include kitchen construction and operations.
- Over the past year, CJFDD has bid about \$300 million in construction contracts - all on schedule and within budget.

Issue Jail Tax Expenditures

Summary

CJFDD has established internal controls to ensure that Jail Tax revenues, accumulated in a capital projects fund, are used only for the purposes authorized by Proposition 400. We examined 23 contract payments (\$10.2 million total) and 34 change orders (\$11.9 million total) and found no exceptions to the requirements set by Proposition 400, the Maricopa County Procurement Code, and contract provisions.

Expenditure Requirements

Proposition 400 authorizes the County to collect a jail tax and to accumulate the revenues into a capital projects fund. This fund must be used only for purchasing land and buildings, as well as, constructing buildings and improvements for County jails.

Maricopa County Procurement Code Article 5-515 requires that construction contract payments be made in accordance with rates and schedules identified in the contract. The Procurement Code and CJFDD contracts contain other specific payment requirements, which include:

- Contractor payment applications must be processed within seven calendar days of receipt of a certified and approved payment request, which are to be submitted on a monthly basis.
- Contractors' Application of Payment Vouchers must be reviewed and approved by the County's construction program manager, the project architect, and CJFDD's Project Manager.
- Contractors must submit a cost-loaded schedule with their Application of Payment Voucher.

Article 5 of the Maricopa County Procurement Code also establishes authority and sets dollar limitations for construction contract change orders.

Control Review

CJFDD oversees the construction and renovation of new and existing jail facilities funded by the \$513 million capital expenditure budget. The department has established a multi-level control structure that was developed for construction expenditures. These controls, listed on the following page, appear adequate for ensuring that jail tax construction funds are utilized only for appropriate purposes.

- Two contracted consultants and a Citizens Advisory Committee on Jail Planning developed reports with plans describing the facilities to be built with jail tax funds. These plans were approved by the Board.
- All jail facility construction contracts show the dollar amount of expenditures and scope of work. Each contract must be approved by the Board.
- CJFDD employs an Program Management firm (Hunt Jacobs A Joint Venture) to provide individual project management. The firm tracks projects on an individual contract basis.
- Before submitting billing invoices, contractors must certify in writing that the work has been completed. An architect and the Program Manager must review the work, confirm completion, and provide written verification.
- CJFDD and the Program Manager have developed a payment application review process. This 37-point checklist must be completed and approved in writing by both offices before a contract payment is authorized.
- CJFDD employs a Senior Project Manager to oversee all construction projects and give final approval on vendor invoices.
- CJFDD prepares a monthly contract status report of all jail tax contract expenditures and sends the report to all appropriate parties. The department also prepares a Jail Expansion Program Budget Summary that shows all Board approved actions.
- CJFDD's Chief Financial Officer reviews all Jail Fund monthly financial reports and County Advantage 2.0 expenditure/revenue reports to identify any expenditure compliance issues.
- CJFDD has developed a formal policy that clarifies change order authorization limits. This policy was approved by the Board.

Expenditure Testing

To determine if the above controls are working effectively, we selected a sample of FY 2000-01 construction contract payments and change orders to test. Twenty-three payments totaling \$10.2 million (17% of all dollars expended) were examined. We found that each payment was made in full compliance with all contract terms and conditions, as well, as established procedures. No exceptions were found.

We also reviewed the 34 change orders (\$11.9 million total) that have been made to jail facility construction contracts. We found supporting documentation that verifies all change orders were made in accordance with Maricopa County Procurement Code and CJFDD policy requirements. No exceptions were found.

Recommendation

None, for information only.